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China and the African Regional Economic Communities: Transforming Multilateral Cooperation

Recently, China has increased its economic, political and military co-operation with the African Union (AU). The diversity of members within the AU makes the continental approach more complicated for both Chinese and African actors. This is largely due to the AU's lack of instrumental capacity, resulting from its financial and structural weakness, as an inter-governmental actor. This policy brief highlights an alternative platform through which co-operation could be fostered. African Regional Economic Communities (RECs) increase the bargaining power of African states, without losing the instrumental capacity of implementing and monitoring policies effectively. China's engagement with the RECs would not only nurture regional integration, but also enhance China's co-operation with Africa as a whole. In the following briefing, we argue that increased co-operation with regional organisations is necessary as China's bilateral and continental engagements face institutional, political and economic challenges. The RECs need to move to the forefront of the Sino-African dialogue in order to satisfy Africa's aspiration for global markets and China's interest in increased political, economic and cultural co-operation.

China's current relationship with the RECs

Africa's co-operation with the international community, including China, has historically taken place either at the continental or national level. The 1980 Lagos Plan of Action for the Development of Africa introduced the concept of the RECs for the first time. The RECs have played a pivotal role in the integration efforts of African governments, with regards to policy-formulation, trade agreements, as well as regional security development. While the Beijing Action Plan of 2012 seeks to "strengthen practical co-operation" with Africa's sub-regional organizations, the co-operation remains limited, as exemplified below.

This policy brief focuses on three RECs, including: The East African Community (EAC), the Economic Community of West African States (ECOWAS), and the Southern African Development Community (SADC). Their relations with China have thus far included: the EAC and China having signed a Framework Agreement on economy, trade, investment in 2011;

ECOWAS and China establishing the China-ECOWAS trade forum in 2012; and while China's relationship with SADC has not been formalised, there are existing working relations, as illustrated by the recent SADC China Infrastructure Investment Seminar in Beijing. These trade arrangements mark major milestones in not only transforming multi-lateral co-operation, but also fostering the integration process of the RECs.

Challenges of bi-lateral co-operation

China, as a global force, has influenced bi-lateral trade relations in Africa. Pdraig Carmody and Ian Taylor (2010) have suggested that Chinese actors "adapt their strategies geographically" to suit the local context. This form of "flexigemony" (flexibility and hegemony) has created major challenges for African governments to match China's financial and political strength. The so-called "Angola-Model of Trade", for instance, which provides financial loans for infrastructure projects secured with natural resources, has been a common strategy used by Chinese actors to gain access to lucrative

markets across the continent. This strategy does not only highlight the need for effective African negotiators, but also supports the commonly acknowledged proposition that “weaker states have less bargaining power and are largely ‘acted upon’ by bigger parties”.

A study conducted by the United Nations (UN, 2010) illustrates that Africa’s wealth is concentrated, leaving non-resource-based economies exposed to an unbalanced trade relationship with China. According to this study, “only five countries account for more than 90 per cent of all energy exports, only 12 countries account for more than 90 per cent of all mineral exports” and, “22 countries account for 90 per cent of [agricultural] exports”. This underlines a high concentration of wealth in a small number of states, which provides an incentive for actors, private or public, to take advantage of African states with unstable legal systems, as well as fragile environmental and labour laws. Thus, the lack of an effective regulatory framework to protect resource endowments creates the need for alternative governance mechanisms.

The lack of resource endowments in some countries is a reason to increase co-operation with other richer African countries, in order to increase collective bargaining power. The Democratic Republic of Congo (DRC) is one example of an African country that has effectively used its resources as a negotiating tool. The DRC was able to gain “aid-assisted Chinese investments [...] and to ensure minimum local content, with local co-ownership in mineral exploitation”. In addition to this, the government of the DRC strategically instrumented the renegotiation of 60 35-year mining contracts with established western firms. Thus, the bargaining power of resource-rich countries like the DRC and Angola illustrates the potential that African countries have to increase their negotiating power through co-operation.

The remainder of this policy brief argues that such collective strategies are more effective on the regional level, compared to a continental approach.

China and the African Union

In recent years, China has increased its relationship with the AU, both politically and economically. China’s symbolic construction of the AU Headquarters in Addis Ababa between 2009-2012 illustrates the growing ties between China and the continental organization. Sun (2014) argues that China sees the AU as a “stabilizing force in Africa to protect Chinese security interests”. China donated US\$ 10 million in AU military grants between 2010 and 2011, which illustrates the importance of security-related Sino-African engagements. This suggests that China’s continental approach focuses on security and diplomacy; while its bi-lateral relations are essentially of economic nature. Sun also argues, that Africa, seen continentally, falls into China’s

global foreign policy, as it gathers African support for multinational forums, such as the UN.

The diversity of the members illustrated by varying economic levels, institutional structures, special interests and resource endowments, makes co-ordination and policy alignment virtually impossible. The AU, as an inter-governmental body, has no legislative authority and thus operates through non-legislative policy-making. Despite the AU’s gradual move from “norm-setting to implementation”, the low staffing levels of the Commission coupled with the non-binding nature of the targets renders the AU rather ineffective. Whether China’s reasons for increased engagement with the AU are geo-political or security-oriented, the partnership is weakened by the AU’s lack of instrumental capabilities as a continental actor.

In contrast, the increased homogeneity among neighbouring countries makes implementation of policies easier to facilitate at the sub-continental level. The RECs, operating under the framework of the AU, “have taken effective action to promote peace and security”. The AU, in such cases, acts as a facilitator and a monitor, by delegating its tasks to subsidiary platforms, such the intervention in Mali in 2012, which was led by ECOWAS and “endorsed” by the AU. The existence of regional hegemons, such as Nigeria within ECOWAS and South Africa in SADC reinforces the element of cultural diversity that makes implementation at a sub-continental level easier to facilitate. Vickers (2013) argues that “the continent’s diversity of interests and capabilities” make sub-regional strategies, [...] more practical”. This does not only apply to military operations, but also to economic policies, such as the alignment of tariffs and trade agreements.

The AU is an important actor, as a trans-governmental, continental body that reintroduces the Pan-African spirit of integration and co-operation. However, the implementation of policies that foster these ideals can only occur if the regional communities play a more active role in Sino-African relations. China’s interests in one country’s resources need to translate into spill over effects that benefit the neighbouring countries and spur integration.

Fostering Sino-African co-operation through the RECs

Given the aforementioned challenges of the bi-lateral and continental approaches, this section will underline some of the key roles that RECs can play in shaping future Sino-African relations, in both public and private sectors. The following three examples illustrate some regional projects between the three RECs and China. They highlight the ways in which a greater unity within African sub-regions could provide more political leverage in an attempt to better promote investments and foster economic development.

Box 1: Regional Economic Communities (RECs)

The AU recognises eight RECs, the:

- Arab Maghreb Union (UMA)
- Common Market for Eastern and Southern Africa (COMESA)
- Community of Sahel-Saharan States (CEN-SAD)
- East African Community (EAC)
- Economic Community of Central African States (ECCAS)
- Economic Community of West African States (ECOWAS)
- Intergovernmental Authority on Development (IGAD)²
- Southern African Development Community (SADC).

Source: Africa Union, 2015

The EAC has been a solid trading bloc through its engagements with various actors. The United States (US) has experienced the benefits of the EAC, as “working with the entire region reduces transaction costs,” while at the same time fostering regional integration. The trade volume between the US and the EAC was US\$ 2.8 billion in 2014, with exports from the EAC to the US increasing by 93 per cent between 2009 and 2014. The US has also vouched to support “regional integration policies” through its new five-year US\$ 64 million *Trade and Investment Hub* in East Africa. China has adopted a similar mechanism and signed a *Framework Agreement on economy, trade, investment* to cultivate a more “robust partnership”, through regional integration. Interestingly, the members of the EAC have relatively strong energy endowments, as the Chairman of the EAC notes. Kenya has the potential to produce 2000 MW in geothermal power; Rwanda can harness Lake Kivu to produce 700 MW, while Uganda and Tanzania can exploit Hydropower. Common industries, such as the energy sector in this case, enable increased co-operation among the members of the same regional bloc. Compared to a bi-lateral approach, this regional trading bloc has the potential to level the playing field with China, with less co-ordination problems than those faced by the AU.

The ECOWAS has been a cornerstone in the development of its 15 member states and a front-runner in regional integration, as exemplified by the monetary union between 8 of its members since 1994. The *China-ECOWAS trade forum* enhances this integration by creating a “conductive framework for private sector institutions and entrepreneurs”. While the empirical implications of this agreement are yet to be determined, Ghana’s growing economy and Nigeria’s booming service sector provide a positive outlook. ECOWAS has stated that its relations with China are focused mainly on the following sectors: mining, agriculture, infrastructure and pharmaceuticals. The trade forum

has a focus on the private sector, bringing businessmen together, fostering joint ventures and focusing “on maximizing Foreign Direct Investment.” ECOWAS has also been in charge of peacekeeping missions in the region, such as Sierra Leone, Cote D’Ivoire and most recently Mali, which illustrates that China’s need for political stability and security should be implemented regionally.

Lastly, the SADC has been “harmonizing national infrastructure investment plans within a regional framework.” SADC’s relationship with China has developed into a practical co-operation, fulfilling the agendas set out by the AU. The *SADC China Infrastructure Investment Seminar* in Beijing in July 2015, led to the adoption of a Regional Infrastructure Master Plan until 2027. This plan will guide the implementation of cross-border infrastructure projects in three five-year intervals with increasing investments of US\$ 64 billion, US\$ 428 billion and US\$ 558 billion in each period. In comparison to the China and SADC trade volume of 2010, which was equivalent to US\$ 61.5 billion, this strategic investment plan is a major commitment in key areas of energy, transport, ICT, water and tourism. The existence of such a regional agreement creates an opportunity for countries like Lesotho, Swaziland and Malawi to benefit from SADC’s engagement with China, highlighting the benefits of a regional approach to multi-lateral co-operation.

Recommendations

Given the aforementioned issues, the following recommendations should be considered by both African and Chinese actors in order to harmonize trade policies:

- The AU needs to reorganise its functions and rationalise the issue of subsidiarity: (1) The AU develops substantive policy targets for its member states, but provides (2) the RECs with discretion to take the appropriate procedural measures to meet the objectives. This requires increased autonomy for the RECs and a binding legal mechanism for member states to implement the specified policies.
- ♦ The RECs need to receive increased financial backing from the AU, the African Development Bank and member states to be able to co-ordinate regional policy implementation.
- ♦ Given Africa’s cultural, political and economic diversity, the AU should limit itself to target setting and monitoring, as well as sharing of best practices.
- ♦ China could invest its expertise in regional organizations to develop a more decentralised system of governance that bridges the bilateral and continental approaches.

- The AU, the RECs and China need to develop a framework that provides sectorial monitoring to the varying levels of governance. For example, while the AU maintains authority over security-related matters, the RECs are in charge of trade agreements. It is this kind of rationalization process that is absolutely imperative, as three levels of governance, without clear procedural norms, creates problems of accountability.
 - ♦ Military interventions, mediation and peacekeeping missions should still remain in the hands of the AU that may, however, delegate the regional communities to take action.
 - ♦ China needs to maintain its close ties to the AU, especially with regards to security-related matters.
- The RECs also overlap in membership, which creates an increasing web of complexity. Thus, a clear structured separation and formulation of the regions is necessary.
- The RECs need to identify their comparative advantage in terms of industry (energy, textile, mining, manufacturing, service), develop a continental supply chain, harmonise their trade policies in this regard and engage China strategically. This would simplify China's trade relations by cutting transaction costs.

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